

## **THE TOWN OF LUNENBURG, MASSACHUSETTS**

Lunenburg, incorporated in 1728, is governed by the open town meeting form of government. Occupying a land area of approximately 26.4 square miles, the Town is located in north central Massachusetts approximately 43 miles from Boston, it is bordered on the west by the Town of Ashby and the City of Fitchburg, on the south by the Town of Lancaster and the City of Leominster, on the east by the Town of Shirley, and on the north by the Town of Townsend.

### **GOVERNING BODIES AND OFFICERS**

Local legislative decisions are made by an open town meeting consisting of all registered voters in the Town. Subject to the legislative decisions made by town meeting, the affairs of the Town are generally administered by a board of five selectmen and a Chief Administrator and Finance Officer. Local school affairs are administered by an elected school committee of seven persons while local taxes are assessed by a board of three assessors all appointed on an at-large basis for staggered three-year terms.

The following is a list of the principal executive officers:

<b>Title</b>	<b>Name</b>	<b>Manner of Selection</b>	<b>Length of Term</b>	<b>Expiration of Term</b>
Chrm Board of Selectmen	Thomas Alonzo	Elected	3 Years	2011
Selectman	Thomas J. Mason	Elected	3 Years	2010
Selectman	Steven M. deBetencourt	Elected	3 Years	2010
Selectman	David Matthews	Elected	3 Years	2011
Selectman	Paula Bertram	Elected	3 Years	2009
Chief Administrative and Financial Officer	Kerry Speidel	Appointed	3 Years	2010
Town Accountant	Karen M. Brochu	Appointed	5 Years	2011
Treasurer/Tax Collector	Julie Dell'Anna	Appointed	1 Years	2010
Town Clerk	Kathryn M. Herrick	Appointed	3 Years	2010
Town Counsel	Kopelman & Paige P.C.	Appointed	Indefinite	Indefinite

### **SERVICES**

The Town provides general governmental services for the territory within its boundaries including police and fire protection, public education in grades pre-school through 12, a library, streets, parks and recreations. A majority of Town residents have private septic systems and one small area of Town is serviced by the Fitchburg system. The Lunenburg Water District provides water service to approximately 75% of the Town, the remaining 25% have private wells.

Legislation was enacted in 1997 abolishing the county governments of Franklin and Middlesex counties as of July 1, 1997, with their assets, functions, debts and other obligations being assumed by the Commonwealth. The abolishment of the Middlesex County government was in part in response to a default by the county in the payment of its general obligation notes. The legislation also abolished the county governments of Hampden and Worcester counties as of July 1, 1998. Legislation enacted in 1998 abolished the county governments of Hampshire, Essex and Berkshire counties as of January 1, 1999, July 1, 1999 and July 1, 2000, respectively. The legislation also requires the state secretary for administration and finance to establish a plan to recover the Commonwealth's expenditures for the liabilities and other debts assumed and paid by the Commonwealth on behalf of an abolished county. Unless these provisions are changed by further legislation, the state treasurer shall assess upon each city and town within the jurisdiction of an abolished county an amount equal to the county tax paid by each such city and town for the fiscal year immediately prior to the abolishment of the

county (or two years prior in the case of Essex County) until such expenditures by the Commonwealth are recovered. It is possible that similar legislation will be sought to provide for the abolishment of county governments in other counties.

## **AUTHORIZATION OF GENERAL OBLIGATION BONDS AND NOTES**

Serial bonds and notes are authorized by a two-thirds vote of the town meeting. Refunding bonds and notes are authorized by the selectmen. Borrowings for some purposes require State administrative approval.

When serial bonds or notes have been authorized, bond anticipation notes may be issued by the officers authorized to issue the serial bonds or notes. Temporary loans in anticipation of revenue of the fiscal year in which the debt is incurred or in anticipation of authorized federal and state aid may be incurred by the Treasurer with the approval of the Selectmen.

## **DEBT LIMITS**

**General Debt Limit.** The General Debt Limit of a city or town consists of a Normal Debt Limit and a Double Debt Limit. The Normal Debt Limit is 5 percent of the valuation of taxable property as last equalized by the State Department of Revenue. A city or town can authorize debt up to this amount without state approval. It can authorize debt up to twice this amount (the Double Debt Limit) with the approval of the state Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts.

There are many categories of general obligation debt which are exempt from and do not count against the General Debt Limit. Among others, these exempt categories include revenue anticipation notes and grant anticipation notes; emergency loans; loans exempted by special laws; certain school bonds, sewer bonds, solid waste disposal facility bonds and economic development bonds supported by tax increment financing; and subject to special debt limits, bonds for water (limited to 10 percent of equalized valuation), housing, urban renewal and economic development (subject to various debt limits), and electric, gas, community antenna television systems, and telecommunications systems (subject to separate limits). Revenue bonds are not subject to these debt limits. The General Debt Limit and the special debt limit for water bonds apply at the time the debt is authorized. The other special debt limits generally apply at the time the debt is incurred.

**Revenue Anticipation Notes.** The amount borrowed in each fiscal year by the issue of revenue anticipation notes is limited to the tax levy of the prior fiscal year, together with the net receipts in the prior fiscal year from the motor vehicle excise and certain payments made by the Commonwealth in lieu of taxes. The fiscal year ends on June 30. Notes may mature in the following fiscal year, and notes may be refunded into the following fiscal year to the extent of the uncollected, unabated current tax levy and certain other items, including revenue deficits, overlay deficits, final judgments and lawful unappropriated expenditures, which are to be added to the next tax levy, but excluding deficits arising from a failure to collect taxes of earlier years. (See Taxation to Meet Deficits below.) In any event, the period from an original borrowing to its final maturity cannot exceed one year.

## **TYPES OF OBLIGATIONS**

**General Obligations.** Massachusetts cities and towns are authorized to issue general obligation indebtedness of these types:

**Serial Bonds and Notes.** These are generally required to be payable in equal or diminishing annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. Level debt service is permitted for bonds or notes issued for certain purposes, including self-supporting enterprise purposes, certain state-aided school projects and certain community preservation and open space projects, as well as for those projects for which debt service has been exempted from property tax limitations. The principal amounts of certain economic development bonds

supported by tax increment financing may be payable in equal, diminishing or increasing amounts beginning within 5 years after the date of issue. The maximum terms of serial bonds and notes vary from one year to 40 years, depending on the purpose of the issue. Most of the purposes are capital projects. Bonds or notes may be made callable and redeemed prior to their maturity, and a redemption premium may be paid. Refunding bonds or notes may be issued subject to the maximum term measured from the date of the original bonds or notes.

Serial bonds may be issued as “qualified bonds” with the approval of the state Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts, subject to such conditions and limitations (including restrictions on future indebtedness) as may be required by the Board. Qualified bonds may mature not less than 10 nor more than 30 years from their dates and are not subject to the amortization requirements described above. The State Treasurer is required to pay the debt service on qualified bonds and thereafter to withhold the amount of the debt service from state aid or other state payments; administrative costs and any loss of interest income to the State are to be assessed upon the city or town.

**Bond Anticipation Notes.** These generally must mature within two years of their original dates of issuance but may be refunded from time to time for a period not to exceed five years from their original dates of issuance, provided that for each year that the notes are refunded beyond the second year they must be paid in part from revenue funds in an amount at least equal to the minimum annual payment that would have been required if the bonds had been issued at the end of the second year. For certain school projects, however, notes may be refunded from time to time for a period not to exceed seven years without having to pay any portion of the principal of the notes from revenue funds. The maximum term of bonds issued to refund bond anticipation notes is measured (except for certain school projects) from the date of the original issue of the notes.

**Revenue Anticipation Notes.** These are issued to meet current expenses in anticipation of taxes and other revenues. They must mature within one year but, if payable in less than one year, may be refunded from time to time up to one year from the original date of issue.

**Grant Anticipation Notes.** These are issued for temporary financing in anticipation of federal grants and state and county reimbursements. Generally, they must mature within two years but may be refunded from time to time as long as the municipality remains entitled to the grant or reimbursement.

**Revenue Bonds.** Cities and towns may issue revenue bonds for solid waste disposal facilities, for projects financed under the Commonwealth’s Water Pollution Abatement or Drinking Water Revolving Loan Programs and for certain economic development projects supported by tax increment financing. In addition, cities and towns having electric departments may issue electric revenue bonds, and notes in anticipation of such bonds, subject to the approval of the State Department of Telecommunications and Energy. The Town does not have an electric department.

## **DEBT (1)**

The following shows the direct debt outstanding as of March 15, 2009:

### Long-Term Indebtedness (2)

Within the general debt limit:

Sewers & Drains	\$ 7,828,935	
Land Acquisition	600,000	
Schools	9,920,000	
Other Building	5,790,000	
Streets Sidewalks & Parking	40,000	
Departmental Equipment	234,183	
Architectural & Engineering Services	<u>249,071</u>	
Total Within the General Debt Limit		<u>\$24,662,189</u>

Outside the general debt limit:

Sewers	\$ 2,075,000	
Other Outside General	<u>334,517</u>	
Total Outside the General Debt Limit		<u>\$ 2,409,517</u>
Total Long-Term Indebtedness (3)		<u>\$27,071,706</u>

Temporary Loans in anticipation of:

Revenue	0	
Bonds	5,689,258	
Grants	<u>0</u>	
Total Temporary Loans		<u>\$ 5,689,258</u>
Total Direct Debt		<u>\$32,760,964</u>

(1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt and unfunded pension liability.

(2) At the present time the normal General Debt Limit is \$67,247,160 and the Double General Debt Limit is \$134,494,320.

(3) \$15,628,700 has been exempted from the provisions of Proposition 2 1/2.

## **Authorized Unissued Debt and Prospective Financing**

The Town has the following authorized unissued debt:

	<u>Amount</u>	<u>Purpose</u>
Article 2, STM 2001	\$ 284,264	Sewer Construction
Article 4, ATM 2005	28,708	Sewer Construction
Article 13, ATM 2005	94,000	Sewer Construction
Article 5, STM 2002	125,000	Building Renovations
Article 4, ATM 2003	56,550	School Heating System
Article 3, STM 2005	200,000	Wastewater Management Plan
Article 16, ATM 2006	4,154,298	Water & Sewer Construction
Article 15, ATM 2006	450,000	Track & Field
Article 19, STM 2006	41,000	Wastewater Management
Article 8, ATM 2007	760,000	Departmental Equipment
Article 13, ATM 2007	75,000	Landfill Closure
Article 9, ATM 2008	<u>249,960</u>	Departmental Equipment
	<u>\$6,518,780</u>	

## **FIVE YEARS OUTSTANDING DEBT (1)**

	<b>As of June 30</b>				
	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Within the General Debt Limit					
Sewers & Drains	\$ 8,249,190	\$ 7,881,677	\$ 8,277,284	\$ 9,055,648	\$ 9,459,849
Land Acquisition	695,000	800,000	910,000	1,020,000	1,190,000
Schools	10,020,000	10,550,000	11,065,000	11,569,000	10,230,000
Other Building	5,914,988	6,300,114	6,719,871	7,139,628	5,669,385
Streets Sidewalks & Parking	55,000	75,000	10,000	15,000	25,000
Departmental Equipment	280,020	376,560	123,469	175,378	247,287
Architectural & Engineering Services	277,656	305,771	298,387	315,582	332,441
Total Within the General Debt Limit	25,491,854	26,289,122	27,404,011	29,290,236	27,153,962
Outside the General Debt Limit					
Sewers	\$ 2,210,000	\$ 2,345,000	\$ 410,000	\$ 439,000	\$ 0
Other Outside General	419,564	493,770	407,976	472,182	536,388
Total Outside the General Debt Limit	2,629,564	2,838,770	817,976	911,182	536,388
Total Long-Term Indebtedness	\$28,121,418	\$29,127,892	\$28,221,987	\$30,201,418	\$27,690,350

(1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt and unfunded pension liability.

## **Bonded Debt vs. Population, Valuations and Income**

	<b>As of June 30</b>				
	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Amount (1)	\$28,121,418	\$29,127,892	\$28,221,987	\$30,201,418	\$27,690,350
Per Capita (2)	\$2,827	\$2,928	\$2,840	\$3,037	\$2,792
Percent of Assessed Valuation (3)	2.13%	2.27%	2.22%	2.74%	2.78%
Percent of Equalized Valuation (4)	2.09%	2.17%	2.62%	2.80%	3.38%
Per Capita as a percent of					
Personal Income (2) per capita	10.48%	10.85%	10.52%	11.25%	10.35%

(1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt and unfunded pension liability.

(2) Source: U.S. Department of Commerce, Bureau of the Census - Latest applicable actuals or estimates.

(3) Source: Board of Assessors - Assessed valuation as of the prior January 1.

(4) Source: Massachusetts Department of Revenue - Equalized valuation in effect for that fiscal year (equalized valuations

are established for January 1 of each even-numbered year).

**Annual Debt Service (1)**

<b>Fiscal Year</b>	<b>Outstanding as of 3/15/09</b>		<b>Total Debt Service</b>	<b>Cumulative</b>
	<b>Principal (2)</b>	<b>Interest (2)</b>		<b>% Principal Retired</b>
2009	\$ 780,000	\$ 275,900	\$ 1,055,900	2.9%
2010	1,838,172	1,079,730	2,917,902	9.7
2011	1,728,048	1,012,363	2,740,411	16.1
2012	1,670,831	950,269	2,621,100	22.2
2013	1,681,434	885,338	2,566,772	28.4
2014	1,717,211	794,230	2,511,441	34.8
2015	1,755,912	721,449	2,477,361	41.3
2016	1,790,629	644,222	2,434,851	47.9
2017	1,815,146	566,197	2,381,343	54.6
2018	1,848,399	483,175	2,331,574	61.4
2019	1,887,600	401,046	2,288,646	68.4
2020	1,920,636	322,880	2,243,516	75.5
2021	1,930,045	246,958	2,177,003	82.6
2022	1,830,230	170,292	2,000,522	89.4
2023	1,828,274	94,259	1,922,533	96.1
2024	772,683	18,065	790,748	99.0
2025	234,114	6,795	240,909	99.8
2026	14,114	0	14,114	99.9
2027	14,114	0	14,114	99.9
2028	14,114	0	14,114	100.0%
<b>Total</b>	<b>\$27,071,706</b>	<b>\$8,673,168</b>	<b>\$35,744,873</b>	

(1) Excludes revenue anticipation notes, grant anticipation notes, bond anticipation notes, lease and installment purchase obligations, overlapping debt and unfunded pension liability.

(2) Principal totaling \$15,628,700 and interest totaling \$4,995,363 has been exempted from the provisions of Proposition 2 1/2.

**Revenue Anticipation Borrowing**

The Town has not borrowed in anticipation of revenue in the last five fiscal years.

## **CONTRACTS**

Municipal contracts are generally limited to currently available appropriations. A city or town generally has authority to enter into contracts for the exercise of any of its corporate powers for any period of time deemed to serve its best interests, but generally only when funds are available for the first fiscal year; obligations for succeeding fiscal years generally are expressly subject to availability and appropriation of funds. Municipalities have specific authority in relatively few cases to enter into long-term contractual obligations that are not subject to annual appropriation, including contracts for refuse disposal and sewage treatment and disposal. Municipalities may also enter into long-term contracts in aid of housing and renewal projects. There is implied authority to make other long-term contracts required to carry out authorized municipal functions, such as contracts to purchase water from private water companies.

Municipal contracts relating to solid waste disposal facilities may contain provisions requiring the delivery of minimum amounts of waste and payments based thereon and requiring payments in certain circumstances without regard to the operational status of the facilities.

Municipal electric departments have statutory power to enter into long-term contracts for joint ownership and operation of generating and transmission facilities and for the purchase or sale of capacity, including contracts requiring payments without regard to the operational status of the facilities. The Town does not have an electric department.

Pursuant to the Home Rule Amendment to the Massachusetts Constitution, cities and towns may also be empowered to make other contracts and leases.

The Town has a limited number of such contracts; one being for school bus transportation, extending through June 25, 2009 at an annual cost of \$500,676.

## **OVERLAPPING DEBT**

The following table sets forth the portion of overlapping debt relating to the Town (1):

	<b>Outstanding 3/15/09</b>	<b>Authorized Unissued 3/15/09</b>	<b>Assessment for Operations &amp; Debt Service FY 2009</b>
Montachusett Regional Vocational Technical School District (2)	\$9,925,000	\$0	\$565,210

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*(1) Principal amount only. Excludes temporary loans in anticipation of revenue. Omits debt of the Commonwealth.*

*(2) Source: Montachusett Regional Vocational Technical School District. Debt is as of March 15, 2009. Towns may organize regional school districts to carry out general or specialized educational functions. The operating expenses and debt service of regional school districts are apportioned among the member municipalities in accordance with the agreements establishing the districts. The other members of the District are the Towns of Ashby, Barre, Harvard, Hubbardston, Lunenburg, Royalston, Sterling and the Cities of Fitchburg and Gardner.*

## **RETIREMENT PLAN**

The Massachusetts General Laws provide for the establishment of contributory retirement systems for state employees, for teachers and for county, city and town employees other than teachers. Teachers are assigned to a separate statewide teachers' system and not to the city and town systems. For all employees other than teachers, this law is subject to acceptance in each city and town. Substantially all employees of an accepting city or town are covered. If a town has a population of less than 10,000 when it accepts the statute, its non-teacher employees participate through the county system and its share of the county cost is proportionate to the aggregate annual rate of regular compensation of its covered employees. In addition to the contributory systems, cities and towns provide non-contributory pensions to a limited number of employees, primarily persons who entered service prior to July 1, 1937 and their dependents. The Public Employee Retirement Administration Commission ("PERAC") provides oversight and guidance for and regulates all state and local retirement systems.

The obligations of a city or town, whether direct or through a county system, are contractual legal obligations and are required to be included in the annual tax levy. If a city or town, or the county system of which it is a member, has not established a retirement system funding schedule as described below, the city or town is required to provide for the payment of the portion of its current pension obligations which is not otherwise covered by employee contributions and investment income. "Excess earnings," or earnings on individual employees' retirement accounts in excess of a predetermined rate, are required to be set aside in a pension reserve fund for future, not current, pension liabilities. Cities and towns may voluntarily appropriate to their system's pension reserve fund in any given year up to five percent of the preceding year's tax levy. The aggregate amount in the fund may not exceed ten percent of the equalized valuation of the city or town.

If a city or town, or each member city and town of a county retirement system, has accepted the applicable law, it is required to annually appropriate an amount sufficient to pay not only its current pension obligations, but also a portion of its future pension liability. The portion of each such annual payment allocable to future pension obligations is required to be deposited in the pension reserve fund. The amount of the annual city or town appropriation for each such system is prescribed by a retirement system funding schedule which is



periodically reviewed and approved by PERAC. Each system's retirement funding schedule is designed to reduce the unfunded actuarial pension liability of the system to zero by not later than June 30, 2028, with annual increases in the scheduled payment amounts of not more than 4.5 percent. City, town and county systems which have an approved retirement funding schedule receive annual pension funding grants from the Commonwealth for the first 16 years of such funding schedule.

Under legislation enacted in 2003, cities and towns that accepted its provisions and that obtained certain state approvals therefor could, within limits, reduce the amount of their scheduled appropriations for fiscal year 2004 and fiscal year 2005 for the unfunded portion of their pension liability to offset recent reductions in state aid. Cities and towns that reduced such appropriations were required to revise their retirement system funding schedule for eliminating their unfunded pension liability and could extend such schedule by one year, provided that in no event may such funding schedule extend beyond June 30, 2028.

City, town and county systems may choose to participate in the Pension Reserves Investment Trust Fund (the "PRIT Fund"), which receives additional state funds to offset future pension costs of participating state and local systems. If a local system participates in the PRIT Fund, it must transfer ownership and control of all assets of its system to the Pension Reserves Investment Management Board, which manages the investment and reinvestment of the PRIT Fund. Cities and towns with systems participating in the PRIT Fund continue to be obligated to fund their pension obligations in the manner described above. The additional state appropriations to offset future pension liabilities of state and local systems participating in the PRIT Fund are required to total at least 1.3 percent of state payroll. Such additional state appropriations are deposited in the PRIT Fund and shared by all participating systems in proportion to their interests in the assets of the PRIT Fund as of July 1 for each fiscal year.

Cost-of-living increases for each local retirement system may be granted and funded only by the local system, and only if it has established a funding schedule. Those statutory provisions are subject to acceptance by the local retirement board and approval by the local legislative body, which acceptance may not be revoked.

The Town participates in the Worcester Regional Retirement System. The annual contributions to the retirement system for the most recent years are set forth below:

<b>Fiscal Year</b>	<b>Total</b>
2009	\$493,121
2008	438,971
2007	435,584
2006	442,008
2005	369,912

The foregoing data do not include the retirement system costs or liabilities attributable to employees of the county or the retirement system costs or liabilities of any other entity of which the Town is a constituent part.

As of January 1, 2007, the unfunded actuarial accrued liability of the Worcester Regional Retirement System was calculated at \$303,009,540.

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(1) Source: *Commonwealth of Massachusetts Retirement Law Commission report.*

Other Post-Employment Benefits. In addition to pension benefits, cities and towns may provide retired employees with health care and life insurance benefits. The portion of the cost of such benefits paid by cities or towns is generally provided on a pay-as-you-go basis.

The pay-as-you-go cost to the Town for such benefits in recent years are as follows:

<u>Fiscal Year</u>	<u>Total</u>
2009 (projected)	\$1,045,030
2008	978,578
2007	945,413
2006	682,474
2005	642,236

The Governmental Accounting Standards Board (“GASB”) recently promulgated its Statement Nos. 43 and 45, which will for the first time require public sector entities to report the future costs of these non-pension, post-employment benefits in their financial statements. These new accounting standards do not require pre-funding such benefits, but the basis applied by the standards for measurement of costs and liabilities for these benefits is conservative if they continue to be funded on a pay-as-you-go basis and will result in larger yearly cost and liability accruals than if such benefits were pre-funded in a trust fund in the same manner as traditional pension benefits. Although cities and towns that choose to self-insure all or a portion of the cost of the health care benefits they provide to employees and retirees may establish a trust fund for the purpose of paying claims, Massachusetts General Laws do not currently provide cities and towns with general legal authority to establish a trust fund for the purpose of pre-funding this liability in the same manner as traditional pension benefits.

The Town is required to implement the new GASB reporting requirements for other post-employment benefits beginning in fiscal year 2009. The Town has not yet performed an actuarial valuation of its non-pension, post-employment benefit liability. It has appropriated the necessary funds and expects to complete the valuation in time to satisfy the new GASB reporting requirements.

## **PROPERTY TAXATION**

**Tax Rate and Valuation-General.** Property is classified for the purpose of taxation according to its use. The legislature has in substance created three classes of taxable property: (1) residential real property, (2) open space land, and (3) all other (commercial, industrial and personal property). Within limits, cities and towns are given the option of determining the share of the annual levy to be borne by each of the three categories. Until fiscal year 2004, the share required to be borne by residential real property was at least 50 per cent of its share of the total taxable valuation; under legislation enacted in the beginning of 2004, however, cities and towns were authorized to reduce the required share to be borne by residential real property to at least 45 per cent of its share of the total taxable valuation in fiscal year 2004, 47 per cent in fiscal year 2005, 49 per cent in fiscal year 2006 and 50 per cent thereafter. The effective rate for open space must be at least 75 per cent of the effective rate for residential real property. Until fiscal year 2004, the share of commercial, industrial and personal property was limited to not more than 175 per cent of their share of the total valuation; under legislation enacted in the beginning of 2004, however, cities and towns were authorized to increase the limit on the share of the total taxable valuation of such property to not more than 200 per cent in fiscal year 2004, 197 per cent in fiscal year 2005, 190 per cent in fiscal year 2006, 183 percent in fiscal year 2007, 175 per cent in fiscal year 2008, and, if the share of such property in a particular city or town exceeded 175 per cent in any of fiscal years 2004 through 2007, 170 per cent in fiscal years 2009 and thereafter. A city or town may also exempt up to 20 per cent of the valuation of residential real property (where used as the taxpayer’s principal residence) and up to 10 percent of the valuation of commercial real property (where occupied by certain small businesses). Property may not be classified in a city or town until the State

Commissioner of Revenue certifies that all property in the city or town has been assessed at its fair cash value. Such certification must take place every three years.

Related statutes provide that certain forest land, agricultural or horticultural land (assessed at the value it has for these purposes) and recreational land (assessed on the basis of its use at a maximum of 25 percent of its fair cash value) are all to be taxed at the rate applicable to commercial property. Land classified as forest land is valued for this purpose at five percent of fair cash value but not less than ten dollars per acre.

In order to determine appropriate relative values for the purposes of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biennially makes his own redetermination of the fair cash value of the taxable property in each municipality. This is known as the "equalized value". (See Debt Limits above.)

## **VALUATIONS**

The following shows the assessed and equalized valuations for the current and most recent fiscal years:

	<b>For Fiscal Year</b>				
	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Real Property(2)	\$1,274,506,600	\$1,303,419,400	\$1,268,222,700	\$1,253,423,300	\$1,088,154,400
Personal Property(2)	22,670,064	19,252,440	17,725,200	17,031,900	15,868,000
Total	<u>\$1,297,176,664</u>	<u>\$1,322,671,840</u>	<u>\$1,285,947,900</u>	<u>\$1,270,455,200</u>	<u>\$1,104,022,400</u>
Equalized Value(3)	\$1,446,399,700	\$1,344,943,200	\$1,344,943,200	\$1,077,373,000	\$1,077,373,000
Percent of Total Assessed to Equalized Valuation	89.7%	98.3%	95.6%	117.9%	102.5%

(1) Source: Massachusetts Department of Revenue.

## **Classification of Property**

The following table shows the breakdown of the total assessed valuation for fiscal years 2009 through 2007 by classification:

<b>Type of Property</b>	<b>Fiscal 2009 Assessed Valuation</b>	<b>% of Total Assessed Valuation</b>	<b>Fiscal 2008 Assessed Valuation</b>	<b>% of Total Assessed Valuation</b>	<b>Fiscal 2007 Assessed Valuation</b>	<b>% of Total Assessed Valuation</b>
Residential	\$1,177,626,000	90.8%	\$1,217,975,700	92.1%	\$1,186,935,300	92.3%
Open Space	\$0	0.0	\$0	0.0	\$32,700	0.0
Commercial	74,160,900	5.7	\$64,418,400	4.9	62,230,700	4.8
Industrial	22,719,700	1.8	\$21,025,300	1.6	19,024,000	1.5
Personal	22,670,064	1.8	\$19,252,440	1.5	17,725,200	1.4
Total	<u>\$1,297,176,664</u>	<u>100.0%</u>	<u>\$1,322,671,840</u>	<u>100.0%</u>	<u>\$1,285,947,900</u>	<u>100.0%</u>

## Tax Rates

The following shows the actual tax rates per \$1,000 of assessed valuation, the average tax rate and the estimated full value rate based on the equalized valuations for the current and most recent fiscal years:

<u>Fiscal Year</u>	<u>Actual Tax Rate</u>	<u>Estimated Full Value Tax Rate</u>
2009	\$13.04	\$11.69
2008	12.23	12.03
2007	12.13	11.60
2006	12.41	14.63
2005	13.34	13.67

## Largest Taxpayers (1)

The following is a list of the ten largest taxpayers for fiscal 2009 (1):

<u>Name</u>	<u>Nature of Business</u>	<u>Fiscal 2009 Assessed Valuation</u>	<u>Amount of Tax</u>	<u>% of Total Levy</u>
Keating Trust	Sand & Gravel Quarry	\$12,666,300	\$165,169	0.98%
Galileo CMBS T1 IG LLC	Shopping Center	10,885,600	141,948	0.84
Callahan Finance, LLC	Developable Land – Former Whalom Amusement Park	3,846,800	50,162	0.30
A & D Crossroads	Shopping Center	3,300,600	43,040	0.25
Howard J. Hall & Richard Harvey	Industrial	2,627,200	34,259	0.20
140 Lburg, LLC	Industrial	2,513,000	32,770	0.19
Lunenburg Village Realty	Retail and Office	2,129,100	27,763	0.16
Lanni Orchards	Farm Stand	1,457,300	19,003	0.11
Dietrich Industrials	Industrial	1,449,000	18,895	0.11
JB & MB Realty, Inc.	Golf Course	1,414,100	18,440	0.11
		<u>\$42,289,000</u>	<u>\$551,449</u>	<u>3.26%</u>

(1) All of the largest taxpayers are current in their real estate and personal property tax payments.

## TAX LEVIES

**Levy - General.** The principal tax of Massachusetts cities and towns is the tax on real and personal property. The amount to be levied in each year is the amount appropriated or required by law to be raised for municipal expenditures less estimated receipts from other sources and less appropriations voted from funds on hand. The total amount levied is subject to certain limits prescribed by law; for a description of those limits see “Tax Limitations” below. As to the inclusion of debt service and final judgments, see “Security and Remedies” above.

The estimated receipts for a fiscal year from sources other than the property tax may not exceed the actual receipts during the preceding fiscal year from the same sources unless approved by the State Commissioner of Revenue. Excepting special funds the use of which is otherwise provided for by law, the deduction for appropriations voted from funds on hand for a fiscal year cannot exceed the "free cash" as of the beginning of

the prior fiscal year as certified by the State Director of Accounts plus up to nine months' collections and receipts on account of earlier years' taxes after that date. Subject to certain adjustments, free cash is surplus revenue less uncollected overdue property taxes from earlier years.

Although an allowance is made in the tax levy for abatements (see Abatements and Overlay below) no reserve is generally provided for uncollectible real property taxes. Since some of the levy is inevitably not collected, this creates a cash deficiency which may or may not be offset by other items (see Taxation to Meet Deficits below).

**Taxation to Meet Deficits.** As noted elsewhere (see Abatements and Overlay below) overlay deficits, i.e. tax abatements in excess of the overlay included in the tax levy to cover abatements, are required to be added to the next tax levy. It is generally understood that revenue deficits, i.e. those resulting from non-property tax revenues being less than anticipated, are also required to be added to the tax levy (at least to the extent not covered by surplus revenue).

Amounts lawfully expended since the prior tax levy and not included therein are also required to be included in the annual tax levy. The circumstances under which this can arise are limited since municipal departments are generally prohibited from incurring liabilities in excess of appropriations except for major disasters, mandated items, contracts in aid of housing and renewal projects and other long-term contracts. In addition, utilities must be paid at established rates and certain established salaries, e.g. civil service, must legally be paid for work actually performed, whether or not covered by appropriations.

In the opinion of Bond Counsel, cities and towns are authorized to appropriate sums, and thus to levy taxes, to cover deficits arising from other causes, such as "free cash" deficits arising from a failure to collect taxes. This is not generally understood, however, and it has not been the practice to levy taxes to cover free cash deficits. Except to the extent that such deficits have been reduced or eliminated by subsequent collections of uncollected taxes (including sales of tax titles and tax possessions), lapsed appropriations, non-property tax revenues in excess of estimates, other miscellaneous items or funding loans authorized by special act, they remain in existence.

**Tax Limitations.** Chapter 59, Section 21C of the General Laws, known as "Proposition 2 ½", imposes two separate limits on the annual tax levy of a city or town.

The primary limitation is that the tax levy cannot exceed 2 1/2 percent of the full and fair cash value. If a city or town exceeds the primary limitation, it must reduce its tax levy by at least 15 percent annually until it is in compliance, provided that the reduction can be reduced in any year to not less than 7 1/2 percent by majority vote of the voters, or to less than 7 1/2 percent by two-thirds vote of the voters.

For cities and towns at or below the primary limit, a secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2 1/2 percent, subject to exceptions for property added to the tax rolls or property which has had an increase, other than as part of a general revaluation, in its assessed valuation over the prior year's valuation.

This "growth" limit on the tax levy may be exceeded in any year by a majority vote of the voters, but an increase in the secondary or growth limit under this procedure does not permit a tax levy in excess of the primary limitation, since the two limitations apply independently. In addition, if the voters vote to approve taxes in excess of the "growth" limit for the purpose of funding a stabilization fund, such increased amount may only be taken into account for purposes of calculating the maximum levy limit in each subsequent year if the board of selectmen of a town or the city council of a city votes by a two-thirds vote to appropriate such increased amount in such subsequent year to the stabilization fund.

The applicable tax limits may also be reduced in any year by a majority vote of the voters.

The State Commissioner of Revenue may adjust any tax limit "to counterbalance the effects of extraordinary, non-recurring events which occurred during the base year".

The statute further provides that the voters may exclude from the taxes subject to the tax limits and from the calculation of the maximum tax levy (a) the amount required to pay debt service on bonds and notes issued before November 4, 1980, if the exclusion is approved by a majority vote of the voters, and (b) the amount required to pay debt service on any specific subsequent issue for which similar approval is obtained. Even with voter approval, the holders of the obligations for which unlimited taxes may be assessed do not have a statutory priority or security interest in the portion of the tax levy attributable to such obligations. It should be noted that Massachusetts General Laws Chapter 44, Section 20 requires that the taxes excluded from the levy limit to pay debt service on any such bonds and notes be calculated based on the true interest cost of the issue. Accordingly, the Department of Revenue limits the amount of taxes which may be levied in each year to pay debt service on any such bonds and notes to the amount of such debt service, less a pro rata portion of any original issue premium received by the city or town that was not applied to pay costs of issuance.

Voters may also exclude from the Proposition 2 1/2 limits the amount required to pay specified capital outlay expenditures. In addition, the city council of a city, with the approval of the mayor if required, or the board of selectmen or the town council of a town may vote to exclude from the Proposition 2 1/2 limits taxes raised in lieu of sewer or water charges to pay debt service on bonds or notes issued by the municipality (or by an independent authority, commission or district) for water or sewer purposes, provided that the municipality's sewer or water charges are reduced accordingly.

In addition, Proposition 2 1/2 limits the annual increase in the total assessments on cities and towns by any county, district, authority, the Commonwealth or any other governmental entity (except regional school districts, the MWRA and certain districts for which special legislation provides otherwise) to the sum of (a) 2 1/2 percent of the prior year's assessments and (b) "any increases in costs, charges or fees for services customarily provided locally or for services subscribed to at local option". Regional water districts, regional sewerage districts and regional veterans districts may exceed these limitations under statutory procedures requiring a two-thirds vote of the district's governing body and either approval of the local appropriating authorities (by two-thirds vote in districts with more than two members or by majority vote in two-member districts) or approval of the registered voters in a local election (in the case of two-member districts). Under Proposition 2 1/2 any State law to take effect on or after January 1, 1981 imposing a direct service or cost obligation on a city or town will become effective only if accepted or voluntarily funded by the city or town or if State funding is provided. Similarly, State rules or regulations imposing additional costs on a city or town or laws granting or increasing local tax exemptions are to take effect only if adequate State appropriations are provided. These statutory provisions do not apply to costs resulting from judicial decisions.

**Initiative Petitions.** Various other proposals have been made in recent years for legislative amendments to the Massachusetts Constitution to impose limits on state and local taxes. To be adopted such amendments must be approved by two successive legislatures and then by the voters at a state election.

**Pledged Taxes.** Taxes on the increased value of certain property in designated development districts may be pledged for the payment of costs of economic development projects within such districts and may therefore be unavailable for other municipal purposes. (See "Tax Increment Financing for Development Districts" below.)

## **CALCULATION OF TAX LEVIES AND LEVY LIMITS**

The following table shows the details of the calculation of the tax levies for the current and most recent fiscal years:

	<b>For Fiscal Year</b>				
	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Gross Amount to be Raised:					
Appropriations	\$26,988,781	\$26,646,997	\$25,065,006	\$24,373,994	\$21,190,933
Other Local Expenditures	1,020,239	1,021,396	1,060,221	978,451	902,242
State & County Charges	800,796	682,354	821,305	691,105	775,017
Overlay Reserve	97,988	129,270	95,753	97,981	134,938
Total Gross Amount to be Raised	\$28,907,805	\$28,480,017	\$27,042,285	\$26,141,531	\$23,003,130
Less Estimated Receipts & Other Revenue:					
Estimated Receipts from State	\$7,224,947	\$7,124,506	\$6,717,719	\$5,370,530	\$5,233,166
Estimated Receipts - Local	4,133,741	4,008,148	3,525,460	3,329,432	2,857,246
Available Funds Appropriated:					
Free Cash	406,074	791,764	1,046,024	1,133,125	0
Other Available Funds	191,644	325,000	82,104	451,556	76,412
Free Cash & Other Revenue Used to Reduce the Tax Rate	36,215	54,323	72,431	90,539	108,647
Total Estimated Receipts & Revenue	\$11,992,621	\$12,303,741	\$11,443,738	\$10,375,182	\$8,275,471
Net Amount to be Raised (Tax Levy)	\$16,915,184	\$16,176,276	\$15,598,547	\$15,766,349	\$14,727,659

The following shows the calculation of levy limits for the current and most recent fiscal years:

	<b>For Fiscal Year</b>				
	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Primary Levy Limit (2)	\$32,429,417	\$33,066,796	\$32,148,698	\$31,761,380	\$27,600,560
Prior Fiscal Year Levy Limit	15,368,583	14,787,169	14,138,629	13,476,239	12,705,882
2.5% Levy Growth	384,215	369,679	353,466	336,906	317,647
New Growth (3)	138,168	211,735	295,074	325,484	452,710
Overrides		0	0	0	0
Growth Levy Limit	15,890,966	15,368,583	14,787,169	14,138,629	13,476,239
Debt Exclusions	1,036,977	808,948	814,209	1,631,225	1,473,527
Tax Levy Limit	16,927,943	16,177,531	15,601,378	15,769,854	14,949,766
Tax Levy	16,915,184	16,176,277	15,598,548	15,766,349	14,727,659
Unused Levy Capacity (4)	12,759	1,254	2,830	3,505	222,107
Unused Primary Levy Capacity (5)	\$16,538,451	\$17,698,213	\$17,361,529	\$17,622,751	\$14,124,321

(1) 2.5% of assessed valuation

(2) Allowed increase for new valuations - certified by the Department of Revenue

(3) Tax Levy Limit less Tax Levy.

(4) Primary Levy limit less Growth Levy Limit.

(5) Recalculated due to certification of retroactive growth.

## **TAX COLLECTIONS & ABATEMENTS**

**Payment Dates.** The taxes for each fiscal year are due in two installments on November 1 (subject to deferral if tax bills are sent out late) and May 1, unless the city or town accepts a statute providing for quarterly tax payments. Under that statute, preliminary tax payments are due on August 1 and November 1 with payment of the actual tax bill (after credit is given for the preliminary payments) in installments on February 1 and May 1 if actual tax bills are mailed by December 31. Interest accrues on delinquent taxes at the rate of 14 per cent per annum. The Town has voted to implement quarterly tax billing.

**Lien.** Real property (land and buildings) is subject to a lien for the taxes assessed upon it, subject to any paramount federal lien and subject to bankruptcy and insolvency laws. (In addition, real property is subject to a lien for certain unpaid municipal charges or fees.) If the property has been transferred, an unenforced lien expires on the fourth December 31 after the end of the fiscal year to which the tax relates. If the property has not been transferred by the fourth December 31, an unenforced lien expires upon a later transfer of the property. Provision is made, however, for continuation of the lien where it could not be enforced because of a legal impediment.

**Personal Liability.** The persons against whom real or personal property taxes are assessed are personally liable for the tax (subject to bankruptcy and insolvency laws.) In the case of real property, this personal liability is effectively extinguished by sale or taking of the property as described below.

The following shows the total tax levy, the reserve for abatements, the net levy and the amounts collected during each fiscal year and as of a more recent date for the current and most recent fiscal years:

	<b>For Fiscal Year</b>				
	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Total Tax Levy	\$16,915,184	\$16,176,277	\$15,598,548	\$15,766,349	\$14,727,659
Overlay Reserve for Abatements	97,988	129,270	95,753	97,981	134,938
Net Tax Levy(1)	\$16,817,196	\$16,047,006	\$15,502,795	\$15,668,368	\$14,592,721
Amount Collected					
During Fiscal Year Payable(2)	N/A	\$15,677,441	\$15,465,635	\$15,554,732	\$14,474,330
Percent of Net Tax Levy	N/A	97.70%	99.76%	99.3%	99.2%

*(1) Net after deduction of overlay reserve for abatements.*

*(2) Actual collections of levy less refunds and amounts refundable but including proceeds of tax titles and tax possessions attributed to such levy but not including abatements or other credits.*

**Abatements and Overlay.** A city or town is authorized to increase each tax levy by an amount approved by the State Commissioner of Revenue as an "overlay" to provide for tax abatements. If abatements are granted in excess of the applicable overlay, the excess is required to be added to the next tax levy.

Abatements are granted where exempt real or personal property has been assessed or where taxable real or personal property has been overvalued or disproportionately valued. The assessors may also abate uncollectible personal property taxes. They may abate real and personal property taxes on broad grounds (including inability to pay) with the approval of the State Commissioner of Revenue. But uncollected real property taxes are ordinarily not written off until they become municipal "tax titles" by purchase at the public sale or by taking, at which time the tax is written off in full by reserving the amount of the tax and charging surplus.



The following shows the abatements granted during the fiscal year for the current and most recent fiscal years:

	For Fiscal Year				
	2009	2008	2007	2006	2005
Tax Levy(1)	\$16,915,184	\$16,176,277	\$15,598,548	\$15,766,349	\$14,727,659
Overlay Reserve for Abatements(1)	97,988	129,270	95,753	97,981	134,938
Percent of Tax Levy	0.6%	0.8%	0.6%	0.6%	0.9%
Abatements Granted:					
During Fiscal Year of Levy	N/A	\$111,909	\$120,927	\$76,369	\$92,283

**Taking and Sale.** Massachusetts law permits a municipality either to sell by public sale (at which the municipality may become the purchaser) or to take real property for nonpayment of taxes. In either case the property owner can redeem the property by paying the unpaid taxes, with interest and other charges, but if the right of redemption is not exercised within six months (which may be extended an additional year in the case of certain installment payments), it can be foreclosed by petition to the Land Court. Upon foreclosure, a tax title purchased or taken by the municipality becomes a "tax possession" and may be held and disposed of in the same manner as other land held for municipal purposes.

**Sale of Tax Receivables.** Cities and towns are authorized to sell delinquent property tax receivables by public sale or auction, either individually or in bulk.

### **Taxes Outstanding**

The following shows taxes outstanding at the end of each of the last five fiscal years:

	For Fiscal Year				
	2008	2007	2006	2005	2004
Tax Titles and Possessions	\$457,568	\$60,281	\$169,430	\$332,215	\$523,864

(1) Excludes tax titles, tax possessions and abated taxes. Includes taxes in litigation, if any.

## **TOWN FINANCES**

### **Budget and Appropriation Process**

The annual appropriations of a town are ordinarily made at the annual meeting which takes place in February, March, April or May. Appropriations may also be voted at special meetings. Every town must have an appropriation, advisory or finance committee. The committee (or the board of selectmen if authorized by by-laws) is required to submit a budget of proposed expenditures at the annual town meeting.

Under certain circumstances and subject to certain limits and requirements, the city council of a city, upon the recommendation of the mayor, may transfer amounts appropriated for the use of one department (except for a municipal light department or a school department) to another appropriation for the same department or for the use of any other department. In a town, town meeting may at any time vote to transfer any amount previously appropriated to any other authorized use by law, and, under certain circumstances and subject to certain limits and requirements, the selectmen of a town, with the concurrence of the finance committee, may transfer amounts appropriated for the use of any department to any other appropriation for the same department or to any other department.

Water and sewer department expenditures are generally included in the budgets adopted by town meetings but electric and gas department funds may be appropriated by the municipal light boards. Under certain legislation any city or town which accepts the legislation may provide that the appropriation for the operating costs of any department may be offset, in whole or in part, by estimated receipts from fees charged for services provided by the department. It is assumed that this general provision does not alter the pre-existing power of an electric or gas department to appropriate its own receipts.

The school budget is limited to the total amount appropriated by the town meeting, but the school committee retains full power to allocate the funds appropriated. State legislation known as the Education Reform Act of 1993, as amended, imposes certain minimum expenditure requirements on municipalities with respect to funding for education. The requirements are determined on the basis of formulas affected by various measures of wealth and income, enrollments, prior levels of local spending and state aid, and other factors. From fiscal 1994 to the present, the Town's net school spending has exceeded the minimum required local contribution.

State and county assessments, abatements in excess of overlays, principal and interest not otherwise provided for and final judgments are included in the tax levy whether or not included in the budget. Revenues are not required to be set forth in the budget but estimated non-tax revenues are taken into account by the assessors in fixing the tax levy. (See Property Taxation and Valuation above.)

### **Budget Comparison**

The following table sets forth the budgets for fiscal years 2005-2009:

<b>Department</b>	<b>For Fiscal Year</b>				
	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2004</b>
General Government	\$3,493,101	\$3,504,785	\$3,307,215	\$3,021,504	\$2,590,131
Public Safety	2,293,638	2,150,667	1,936,592	1,821,828	1,495,521
Human Services	194,751	156,661	147,111	141,806	125,090
Education	15,318,628	14,843,711	14,223,184	13,547,000	12,785,343
Public Works	1,203,937	1,123,101	1,175,909	1,110,293	1,152,327
Debt Service	2,673,404	2,661,405	2,421,862	2,450,707	2,115,632
Library	329,867	299,767	263,108	243,822	188,122
Total	<u>\$25,507,326</u>	<u>\$24,740,097</u>	<u>\$23,474,981</u>	<u>\$22,336,960</u>	<u>\$20,452,166</u>

### **STATE AID**

In addition to grants for specified capital purposes (some of which are payable over the life of the bonds issued for the projects), the Commonwealth provides financial assistance to cities and towns for current purposes. Payments to cities and towns are derived primarily from a percentage of the State's personal income, sales and use, and corporate excise tax receipts, together with the net receipts from the State Lottery. A municipality's state aid entitlement is based on a number of different formulas, of which the "schools" and "lottery" formulas are the most important. Both of the major formulas tend to provide more state aid to poorer communities. The formulas for determining a municipality's state aid entitlement are subject to amendment by the state legislature and, while a formula might indicate that a particular amount of state aid is owed, the amount of state aid actually paid is limited to the amount appropriated by the state legislature. The state annually estimates state aid, but the actual state aid payments may vary from the estimate.

In the fall of 1986, both the State Legislature (by statute, repealed as of July 1, 1999) and the voters (by initiative petition) placed limits on the growth of state tax revenues. Although somewhat different in detail, each measure essentially limited the annual growth in state tax revenues to an average rate of growth in wages and salaries in the Commonwealth over the three previous calendar years. If not amended, the remaining law could restrict the amount of state revenues available for state aid to local communities.

Legislation was enacted in 1991 to help municipalities compensate for additional local aid reductions by the Commonwealth for fiscal year 1992. Under that law, municipalities were allowed to defer budgeting for teacher's summer compensation payable by the end of the fiscal years 1992 and 1993. Municipalities that chose to defer such amounts are required to amortize the resulting budget deficiency by raising at least one fifteenth of the deferred amount in each of the fiscal years 1997 through 2011, or in accordance with a more rapid amortization schedule. ***The Town did not adopt this legislation.***

The following table sets forth the amount of State aid to the Town in recent years:

<b>Fiscal Year</b>	<b>Total From State Government</b>
2008	\$6,296,172
2007	5,913,294
2006	5,370,530
2005	5,233,166
2004	5,068,502

For fiscal 2009, the Town's initial state aid estimate, upon which it based its operating budget, was \$6,638,386. On January 28, 2009, Massachusetts Governor Deval Patrick announced mid-year reductions in state aid for most communities, including Lunenburg, in response to growing fiscal pressures on the Commonwealth of Massachusetts. The Town's reduction, which will be in its Lottery aid, will total \$128,253. As of this date, the Town is considering budgetary reductions and reserve allocations to respond to this revenue reduction, but has not formally implemented either.

### **State School Building Assistance Program**

Under its school building assistance program, The Commonwealth of Massachusetts provides grants to cities, towns and regional school districts for school construction projects. Until July 26, 2004, the State Board of Education was responsible for approving grants for school projects and otherwise administering the program. Grant amounts ranged from 50% to 90% of approved project costs. Municipalities generally issued bonds to finance the entire project cost, and the Commonwealth disbursed the grants in equal annual installments over the term of the related bonds. Approved project costs included the interest expense incurred on debt issued by a municipality to finance the school project. In recent years, demand for school building assistance grants far exceeded available funds. As of July 1, 2004, a total of 425 projects for which completed grant applications had been submitted were still on the Department of Education's project priority list awaiting approval of a grant.

Pursuant to legislation which became effective on July 26, 2004, the state legislature created the Massachusetts School Building Authority (the "Authority") to finance and administer the school building assistance program. The Authority has assumed all powers and obligations of the Board of Education with respect to the program. In addition to certain other amounts, the legislation dedicates a portion of Commonwealth sales tax receipts to the Authority to finance the program.

Projects previously approved for grants by the State Board of Education are entitled to receive grant payments from the Authority based on the approved project cost and reimbursement rate applicable under the prior law. The Authority has paid and is expected to continue to pay the remaining amounts of the grants for such projects in annual installments to reimburse debt service on bonds issued by the municipalities to finance such projects.

Projects on the priority waiting list as of July 1, 2004 are also entitled to receive grant payments from the Authority based on the eligible project costs and reimbursement rates applicable under the prior law. With limited exceptions, the Authority is required to fund the grants for such projects in the order in which they appear on the waiting list. The Authority expects to pay grants for all of the projects on the priority waiting list by the end of fiscal year 2008. Grants for any such projects that have been completed or substantially completed have been paid and are expected to continue to be paid by the Authority in lump sum payments, thereby eliminating the need for the Authority to reimburse interest expenses that would otherwise be incurred by the municipalities to permanently finance the Authority's share of such project costs. Interest on debt issued by municipalities prior to July 1, 2004 to finance such project costs, and interest on temporary debt until receipt of the grant, is included in the approved costs of such projects. Grants for any such projects that have not yet commenced or that are underway have been and are expected to continue to be paid by the Authority as project costs are incurred by the municipality pursuant to a project funding agreement between the Authority and the municipality. In most cases, the receipt of these progress payments from the Authority eliminates the need for the municipality to borrow even on a temporary basis to finance the Authority's share of the project costs.

Grant applications for new projects may not be submitted to the Authority until July 1, 2007. The range of reimbursement rates for such projects has been reduced to between 40% and 80% of approved project costs. The Authority recently promulgated new regulations with respect to the application and approval process for new projects. The Authority expects to pay grants for such projects as project costs are incurred pursuant to project funding agreements between the Authority and the municipalities. None of the interest expense incurred on debt issued by municipalities to finance their portion of the costs of new projects will be included in the approved project costs eligible for reimbursement.

### **MOTOR VEHICLE EXCISE**

An excise is imposed on the registration of motor vehicles (subject to exemptions) at the rate of \$25 per \$1,000 of valuation. The excise is collected by and for the benefit of the municipality in which the motor vehicle is customarily kept. Valuations are determined by a statutory formula based on manufacturer's list price and year of manufacture. Bills not paid when due bear interest at 12 percent per annum. Provision is also made, after notice to the owner, for suspension of the owner's operating license or registration by the registrar of motor vehicles.

The following table shows the actual motor vehicle receipts in each of the most recent fiscal years:

<b>Fiscal Year</b>	<b>Receipts</b>
2008	\$1,274,893
2007	1,332,505
2006	1,165,973
2005	1,250,938
2004	1,209,513

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*(1) Net after refunds. Includes receipts for prior years.*

## **UNDESIGNATED GENERAL FUND BALANCE AND FREE CASH**

Under Massachusetts law an amount known as "free cash" is certified as of the beginning of each fiscal year by the State Bureau of Accounts and this, together with certain subsequent tax receipts, is used as the basis for subsequent appropriations from available funds, which are not required to be included in the annual tax levy. Subject to certain adjustments, free cash is surplus revenue less uncollected and overdue property taxes from prior years. The Town Accountant may certify as available for appropriation an adjusted free cash figure by adding back those uncollected and overdue property taxes which are subsequently collected between July 1 and the following March 31 of any year.

The following table sets forth the undesignated fund balance and certified free cash for the most recent fiscal years:

<b><u>July 1,</u></b>	<b><u>Undesignated Fund Balance</u></b>	<b><u>Free Cash</u></b>
2008 (unaudited)	\$1,184,487	NA
2007	2,217,091	856,875
2006	2,782,098	1,387,662
2005	757,832	NA
2004	1,501,744	1,133,125

## **STABILIZATION FUND**

The Town has maintained a Stabilization Fund for several years. Under Massachusetts statutes funds may be appropriated from the Fund for any municipal purpose by a two thirds vote of the town meeting.

The Town had a balance of \$1,584,505 in the fund as of June 30, 2008, \$1,426,968 as of June 30, 2007 and \$890,473 as of June 30, 2006.

## **COMMUNITY PRESERVATION ACT**

The Massachusetts Community Preservation Act (the "CPA") permits cities and towns that accept its provisions to levy a surcharge on its real property tax levy and to receive state matching funds for the acquisition, creation, preservation, rehabilitation and restoration of open space, historic resources and affordable housing. The provisions of the CPA must be accepted by the voters of the city or town at an election after such provisions have first been accepted by either a vote of the legislative body of the city or town or an initiative petition signed by 5% of its registered voters.

A city or town may approve a surcharge of up to 3% of the real property tax levy, and it may accept one or more exemptions to the surcharge under the CPA, including an exemption for low-income individuals and families and for low and moderate-income senior citizens, an exemption for \$100,000 of the value of each taxable parcel of residential real property, and an exemption for commercial and industrial properties in cities and towns with classified tax rates. The surcharge is not counted in the total taxes assessed for the purpose of determining the permitted levy amount under Proposition 2½ (see "Tax Limitations" under "Property Tax" above). A city or town may revoke its acceptance of the provisions of the CPA at any time after 5 years from the date of such acceptance and may change the amount of the surcharge or the exemptions to the surcharge at any time, provided that any such revocation or change must be approved pursuant to the same process as acceptance of the CPA.

Any city or town that accepts the provisions of the CPA will receive annual state matching grants to supplement amounts raised by its surcharge on the real property tax levy. The state matching funds are raised from certain

recording and filing fees of the registers of deeds. Those amounts are deposited into a state trust fund and are distributed to cities and towns that have accepted the provisions of the CPA, which distributions are not subject to annual appropriation by the state legislature. The amount distributed to each city and town is based on a statutory formula which requires that 80% of the amount in the state trust fund be used to match an equal percentage of the amount raised locally by each city and town, and that the remaining 20% of the amount in the fund be distributed only to those cities and towns that levy the maximum 3% surcharge based on a formula which takes into account equalized property valuation and population, resulting in larger distributions to those communities with low valuations and small populations. The total state distribution made to any city or town may not, however, exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

The amounts raised by the surcharge on real property taxes and received in state matching funds are required to be deposited in a dedicated community preservation fund. Each city or town that accepts the provisions of the CPA is required to establish a community preservation committee to study the community preservation needs of the community and to make recommendations to the legislative body of the city or town regarding the community preservation projects that should be funded from the community preservation fund. Upon the recommendations of the committee, the legislative body of the city or town may appropriate amounts from the fund for permitted community preservation purposes or may reserve amounts for spending in future fiscal years, provided that at least 10% of the total annual revenues to the fund must be spent or set aside for open space purposes, 10% for historic resource purposes and 10% for affordable housing purposes.

The CPA authorizes cities and towns that accept its provisions to issue bonds and notes in anticipation of the receipt of surcharge revenues to finance community preservation projects approved under the provisions of the CPA. Bonds and notes issued under the CPA are general obligations of the city or town and are payable from amounts on deposit in the community preservation fund. In the event that a city or town revokes its acceptance of the provisions of the CPA, the surcharge shall remain in effect until all contractual obligations incurred by the city or town prior to such revocation, including the payment of bonds or notes issued under the CPA, have been fully discharged.

The Town has not accepted the provisions of the CPA.

## **INVESTMENTS**

Investments of funds of cities and towns, except for trust funds, are generally restricted by Massachusetts General Laws Chapter 44, Section 55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposits of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

MMDT is an investment pool created by the Commonwealth under the supervision of the State Treasurer's office. According to the State Treasurer the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U.S. Government obligations and highly-rated corporate securities with maturities of one year or less.

Trust funds, unless otherwise provided by the donor, may be invested in accordance with section 54 of Chapter 44, which permits a broader range of investments than section 55, including any bonds or notes that are legal investments for savings banks in the Commonwealth. The restrictions imposed by sections 54 and 55 do not apply to city and town retirement systems. (See pages 30-31 of the audited financial statements for June 30, 2006 in Appendix B for additional information regarding the Town's investments.)

## **COLLECTIVE BARGAINING**

City and Town employees (other than managerial and confidential employees) are entitled to join unions and to bargain collectively on questions of wages, hours and other terms and conditions of employment.

The Town has approximately 597 full and part-time permanent employees of whom approximately 50 per cent belong to unions or other collective bargaining groups as follows:

<b><u>Department</u></b>	<b><u>Union</u></b>	<b><u>Number of People</u></b>	<b><u>Contract Expires (1)</u></b>
School	Teachers	136	06/30/09
School Secretaries	Secretaries	9	06/30/10
School	Tutors & Aides	69	06/30/09
School	Custodians	13	06/30/09
Café School	Cafeteria Workers	20	06/30/10
School	Nurses	4	06/30/09
Police Officers	IBPO	12	06/30/08
Fire	Dispatchers	4	06/30/10
DPW	DPW Workers	8	06/30/09
DPW	Middle Managers	4	06/30/10
Town	Clerical	20	06/30/08
Fire	Firefighters	<u>3</u>	06/30/08
		302	

(1) Expired contracts under negotiation.

## **PHYSICAL AND ECONOMIC CHARACTERISTICS**

### **Principal Employers (1)**

The following are the principal employers, other than the Town itself, located in the Town:

<b><u>Company</u></b>	<b><u>Nature of Business</u></b>	<b><u>Approximate Current Employees</u></b>
PJ Keating	Industrial	225
Walmart	Retail Store	202
Tradex Corporation	Manufacturing	95
Ecological Fibers	Manufacturing	80
Maki Home Center	Building Supplies	65
Hannaford	Grocery Store	45

(1) Source: The Town as of March 2009.



**Employment by Industry**

	<b>Calendar Year Average</b>				
	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Construction & Natural Resources	347	356	384	357	330
Manufacturing	110	103	93	137	159
Trade, Transportation & Utilities	937	960	935	946	946
Financial Activities	45	46	48	48	56
Professional & Business Services	134	125	114	107	102
Education & Health Services	66	68	71	72	68
Leisure & Hospitality	273	276	195	159	188
Information & Other Services	48	45	54	60	159
Total Employment	1,960	1,979	1,894	1,886	2,008
Number of Establishments	235	232	225	235	229
Total Annual Wage (000)	\$92,215	\$90,263	\$83,535	\$79,402	\$78,402
Average Weekly Wage	\$724	\$701	\$675	\$651	\$619

**Building Permits****Calendar**

<b><u>Year</u></b>	<b><u>Number</u></b>	<b><u>Estimated Value</u></b>
2008	309	\$11,297,476
2007	334	11,722,197
2006	402	12,461,022
2005	406	14,673,958
2004	384	18,981,605

## **OTHER DATA**

### **Unemployment (1)**

	<b><u>Lunenburg</u></b>	<b><u>Massachusetts</u></b>	<b><u>United States</u></b>
2008 (October)	5.2%	5.0%	6.1%
2007	4.9	4.5	4.6
2006	5.2	5.0	4.6
2005	5.1	4.8	5.1
2004	5.7	5.2	5.5

(1) Massachusetts Department of Employment and Training. Full year annual averages except for 2008 which is for the month indicated.

<b>Year</b>	<b>Lunenburg</b>		<b>Worcester County</b>		<b>Massachusetts</b>	
	<b>Number</b>	<b>% Change</b>	<b>Number</b>	<b>% Change</b>	<b>Number</b>	<b>% Change</b>
2020 (Proj.)	8,880	-3.4%	843,534	6.3%	6,767,712	3.2%
2010 (Proj.)	9,189	-7.6	793,336	1.5	6,557,001	1.7
2000	9,401	3.1	750,963	5.8	6,349,097	5.5
1990	9,917	8.5	709,705	9.8	6,016,425	4.9
1980	8,405	13.3	646,352	1.5	5,737,037	0.8
1970	7,419		637,037		5,689,170	

(1) Source: U.S. Department of Commerce for actuals and estimates, Massachusetts Institute for Social & Economic Research for projections.

### **POPULATION DENSITY (1)**

<b>Year</b>	<b>Lunenburg</b>		<b>Worcester County</b>		<b>Massachusetts</b>	
	<b>Number</b>	<b>Density (2)</b>	<b>Number</b>	<b>Density</b>	<b>Number</b>	<b>Density</b>
2020 (Proj.)	8,880	336.1	843,534	557.5	6,767,712	863.5
2010 (Proj.)	9,189	347.8	793,336	524.3	6,557,001	836.6
2000	9,401	355.8	750,963	496.3	6,349,097	810.0
1990	9,917	345.0	709,705	469.0	6,016,425	767.6
1980	8,405	318.1	646,352	427.2	5,737,037	732.0
1970	7,419	280.8	637,037	421.0	5,689,170	725.8

(1) Source: U.S. Department of Commerce.

(2) Based on 43.3 square miles.

**POPULATION COMPOSITION BY AGE 2000 (1)**

<b>Age</b>	<b>Lunenburg</b>		<b>Worcester County</b>		<b>Massachusetts</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
Under 5 Years	554	5.9%	50,027	6.7%	397,268	6.3%
5 Years to 17 Years	2,077	22.1	162,638	21.7	1,277,845	20.1
18 Years to 64 Years	5,641	60.0	440,329	58.6	3,813,822	60.1
65 Years & Over	<u>1,129</u>	<u>12.0</u>	<u>97,969</u>	<u>13.0</u>	<u>860,162</u>	<u>13.5</u>
Total	<u>9,401</u>	<u>100.0%</u>	<u>750,963</u>	<u>100.0%</u>	<u>6,349,097</u>	<u>100.0%</u>
Median Age		39.4		36.3		36.5
Median Age (1990)		35.7		33.1		33.6

(1) Source: U.S. Department of Commerce.

**Income Levels (1)**

<b>Year</b>	<b>Lunenburg</b>		<b>Worcester County</b>		<b>Massachusetts</b>	
	<b>Amount</b>	<b>% Change from Previous Census</b>	<b>Amount</b>	<b>% Change from Previous Census</b>	<b>Amount</b>	<b>% Change from Previous Census</b>
1999	\$26,986	40.8%	\$22,983	48.3%	\$25,952	50.7%
1989	19,166	142.3	15,500	124.4	17,224	131.0
1979	7,911	NA	6,908	NA	7,457	NA

% Below Poverty Level (1990)	4.1%	9.2%	9.3%
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(1) Source: U.S. Department of Commerce.

**FAMILY INCOME DISTRIBUTION 1999 (1)**

<b>Income for Families</b>	<b>Lunenburg</b>		<b>Worcester County</b>		<b>Massachusetts</b>	
	<b>Families</b>	<b>Percent</b>	<b>Families</b>	<b>Percent</b>	<b>Families</b>	<b>Percent</b>
Less than \$10,000	39	1.5%	8,811	4.5%	71,198	4.5
10,000 - 24,999	235	8.8	22,849	11.8	175,120	11.0
25,000 - 49,999	565	21.1	48,192	24.9	368,418	23.2
50,000 - 74,999	711	26.6	46,056	23.8	359,202	22.6
75,000 - 99,999	482	18.0	30,392	15.7	251,231	15.8
100,000 - 149,999	423	15.8	25,632	13.2	222,234	14.0
150,000 or more	219	8.2	11,880	6.1	140,134	8.8
Total	<u>2,674</u>	<u>100.0%</u>	<u>193,812</u>	<u>100.0%</u>	<u>1,587,537</u>	<u>100.0%</u>
Median Income	\$63,981		\$58,394		\$61,664	

**HOUSEHOLD INCOME DISTRIBUTION 1999 (1)**

<b>Income for Households</b>	<b>Lunenburg</b>		<b>Worcester County</b>		<b>Massachusetts</b>	
	<b>Households</b>	<b>Percent</b>	<b>Households</b>	<b>Percent</b>	<b>Households</b>	<b>Percent</b>
Less than \$10,000	92	2.6%	25,152	8.8%	214,700	8.8%
10,000 - 24,999	542	15.2	48,186	17.0	385,395	15.8
25,000 - 49,999	832	23.4	74,212	26.1	608,320	24.9
50,000 - 74,999	818	23.0	58,935	20.7	490,998	20.1
75,000 - 99,999	564	15.9	35,696	12.6	312,741	12.8
100,000 - 149,999	467	13.1	28,596	10.1	267,300	10.9
150,000 or more	240	6.8	13,441	4.7	165,134	6.8
Total	3,555	100.0%	284,218	100.0%	2,444,588	100.0%

Median Income                                      \$56,812                                      \$47,874                                      \$50,502

(1) Source: U.S. Department of Commerce.

**VALUE DISTRIBUTION OF SPECIFIED OWNER-OCCUPIED HOUSING UNITS 2000 (1)**

<b>Units</b>	<b>Lunenburg</b>		<b>Worcester County</b>		<b>Massachusetts</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
Less than \$100,000	402	15.1%	24,058	16.1%	113,263	9.5%
100,000 - 149,999	809	30.3	55,194	36.9	277,571	23.4
150,000 - 199,999	679	25.4	33,326	22.3	273,542	23.0
200,000 - 299,999	588	22.0	24,356	16.3	286,599	24.1
300,000 - 499,999	178	6.7	10,715	7.2	170,536	14.4
500,000 or more	12	0.4	1,739	1.2	66,360	5.6
Total	2,668	100.0%	149,388	100.0%	1,187,871	100.0%

Median Value                                      \$157,300                                      \$139,600                                      \$185,700

(1) Source: U.S. Department of Commerce.

**AGE DISTRIBUTION OF HOUSING UNITS 2000 (1)**

<b>Year Built</b>	<b>Lunenburg</b>		<b>Worcester County</b>		<b>Massachusetts</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
1990 to March 2000	368	10.00%	32,843	11.00%	218,407	8.3
1980 to 1989	483	13.2	39,366	13.2	292,701	11.2
1940 to 1979	2,210	60.3	127,855	42.9	1,205,183	46
1939 or Earlier	607	16.5	98,095	32.9	905,698	34.5
Total	3,668	100.00%	298,159	100.00%	2,621,989	100.0%

(1) Source: U.S. Department of Commerce.

**HOUSING UNIT INVENTORY 2000 (1)**

<b>Units in Structure</b>	<b>Lunenburg</b>		<b>Worcester County</b>		<b>Massachusetts</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
1, Detached	3,165	86.3%	167,648	56.2%	1,374,479	52.4
1, Attached	111	3.0	10,667	3.6	104,129	4.0
2 to 4	253	6.9	69,488	23.3	603,917	23.0
5 to 9	18	0.5	17,467	5.9	156,135	6.0
10 to 19	9	0.2	11,079	3.7	113,697	4.3
20 or More	0	0.0	18,870	6.3	244,892	9.3
Mobile Home, Trailer, or Other	112	3.1	2,940	1.0	24,740	0.9
Total	3,668	100.0%	298,159	100.0%	2,621,989	100.0%

(1) Source: U.S. Department of Commerce.

**EDUCATIONAL ATTAINMENT 2000 (1)**

<b>Years of School Completed</b>	<b>Lunenburg</b>		<b>Worcester County</b>		<b>Massachusetts</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
Less than 9th Grade	196	3.0%	28,826	5.8%	247,556	5.8%
9th to 12th Grade, No Diploma	519	8.0	53,200	10.7	403,537	9.4
High School Graduate	1,731	26.8	149,639	30.2	1,165,489	27.3
Some College, No Degree	1,370	21.2	91,635	18.5	730,135	17.1
Associate's Degree	613	9.5	39,063	7.9	308,263	7.2
Bachelor's Degree	1,257	19.4	82,648	16.7	834,554	19.5
Graduate or Professional Degree	781	12.1	50,857	10.3	583,741	13.7
Total	6,467	100.0%	495,868	100.0%	4,273,275	100.0%

High School Graduate or Higher	5,752	88.9%	413,842	83.5%	3,622,182	84.8%
Bachelor's Degree or Higher	2,038	31.5%	133,505	26.9%	1,418,295	33.2%

(1) Source: U.S. Department of Commerce.

**PUBLIC SCHOOL ENROLLMENTS (1)**

	<b>Actual</b>					
	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>
Elementary (K-5)	641	724	730	785	712	694
Middle School (6-8)	591	420	428	414	413	415
Senior High School (9-12)	592	625	628	653	620	588
Total	1,824	1,769	1,786	1,852	1,745	1,697

(1) Source: Massachusetts Dept. of Education - As of October 1, each school year.

## **LITIGATION**

In the opinion of the Town, there is no litigation, pending which, either individually or in the aggregate, is likely to result in final judgments against the Town, which would materially affect the Town's financial position or its ability to pay its obligations.

**TOWN OF LUNENBURG**  
**Massachusetts**

By: /s/ Julie Dell'Anna  
Town Treasurer

Dated: March 15, 2009

## **APPENDIX A**

The Balance Sheets for June 30, 2004 through 2008 and the combined Statement of Revenues, Expenditures and Changes in Fund Balance for fiscal years 2004 through 2008 have been extracted from the audits of Powers and Sullivan, Certified Public Accountants.

A copy of the 2008 audited financial statement is reproduced in Appendix B.

**TOWN OF LUNENBURG  
MASSACHUSETTS  
BALANCE SHEET (1)  
GENERAL FUND  
June 30,**

<b>Assets</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Cash and Cash Equivalents	\$2,176,850	\$3,620,364	\$4,288,227	\$2,414,944	\$1,540,909
Receivables:					
Accounts Receivables	0	0	0	0	0
Property Taxes	402,610	248,360	213,397	165,005	592,433
Excises	105,637	108,089	108,323	84,267	99,646
Tax Liens and Foreclosures	457,568	417,943	337,809	332,214	0
Departmental & Other	214,223	173,452	353,983	314,288	164,570
Special Assessments	131,508	160,140	349,057	394,289	0
Intergovernmental	6,137,269	6,445,991	7,119,218	8,128,430	1,356
Due From Other Funds	1,193,773	256,153	14,160	693,422	1,668,566
<b>Total Assets</b>	<b>\$10,819,438</b>	<b>\$11,430,492</b>	<b>\$12,784,174</b>	<b>\$12,526,859</b>	<b>\$4,067,480</b>

**Liabilities and Fund Equity**

**Liabilities**

Warrants Payable	841,748	293,960	493,145	451,799	579,643
Accrued Payroll	630,371	542,745	503,949	482,316	651,897
Liabilities due Depositors	7,848	7,680	7,680	7,684	0
Payroll Withholdings	15,665	340,806	291,017	162,811	0
Abandoned Property	2,396	2,396	455	455	0
Other Liabilities	44,976	29,466	30,948	36,907	50,568
Deferred Revenues	7,353,911	7,553,983	8,481,786	9,417,607	849,460
<b>Total Liabilities</b>	<b>\$8,896,915</b>	<b>\$8,771,036</b>	<b>\$9,808,980</b>	<b>\$10,559,579</b>	<b>\$2,131,568</b>

**Fund Equity**

Reserve for Encumbrances	408,853	239,356	168,071	320,724	295,649
Reserve for Expenditures	0	0	0	0	26,015
Reserve for Other Specific Purposes	0	0	0	0	112,504
Unreserved, Designated	329,183	203,009	25,025	888,724	0
Unreserved, Undesignated	1,184,487	2,217,091	2,782,098	757,832	1,501,744
<b>Total Fund Equity</b>	<b>1,922,523</b>	<b>2,659,456</b>	<b>2,975,194</b>	<b>1,967,280</b>	<b>1,935,912</b>

<b>Total Liabilities and Fund Equity</b>	<b>\$10,819,438</b>	<b>\$11,430,492</b>	<b>\$12,784,174</b>	<b>\$12,526,859</b>	<b>\$4,067,480</b>
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(1) Excerpts from audited financial statements prepared by Powers and Sullivan, Certified Public Accountants.



**TOWN OF LUNENBURG, MASSACHUSETTS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GENERAL FUND (1)**  
**JUNE 30,**

<b>Revenues</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Real Estate & Personal Property Taxes	\$15,931,194	\$15,261,890	\$15,573,501	\$14,541,507	\$14,187,129
Tax Liens	91,397	125,661	169,430	191,479	0
Motor Vehicle & Other Excise	1,274,996	1,332,650	1,166,165	1,251,592	1,209,687
Penalties, Interest & Other Taxes	109,731	84,714	97,909	110,662	103,812
Fees & Rentals	418,974	424,352	399,656	362,002	101,088
Payments in Lieu of Taxes	1,651	1,593	1,600	3,205	0
Licenses and Permits	161,526	196,579	252,181	224,754	270,927
Fines and Forfeits	79,375	75,653	524,837	34,435	193,139
Intergovernmental	9,019,875	8,890,109	8,031,819	6,761,719	6,304,731
Departmental & Other	0	0	9,924	0	0
Special Assessments	17,347	19,447	22,085	13,656	67,988
Investment Income	210,819	312,632	117,620	124,119	141,923
Total Revenues	\$27,316,884	\$26,725,280	\$26,366,727	\$23,619,130	\$22,580,424
<b>Expenditures</b>					
General Government	\$1,557,165	\$1,557,019	\$1,244,026	\$1,276,971	\$1,146,925
Public Safety	2,161,390	2,017,699	1,837,730	1,660,284	1,546,582
Education	14,716,124	14,101,843	13,428,919	12,306,954	14,214,843
Public Works	1,058,042	994,099	1,073,011	1,338,444	1,217,091
Human Services	158,547	144,789	142,677	125,127	124,474
Culture and Recreation	351,519	325,395	304,649	198,016	190,854
Pension Benefits	3,055,820	2,651,083	2,223,902	2,206,225	0
Property & Liability Insurance	142,190	169,736	166,906	150,890	0
Employee Benefits	1,768,517	1,679,293	1,500,633	1,383,222	1,405,398
State & County Charges	734,464	738,331	765,606	676,821	444,559
Debt Service	1,952,717	1,942,604	2,069,096	1,906,813	1,957,860
Total Expenditures	\$27,656,495	\$26,321,891	\$24,757,155	\$23,229,767	\$22,248,586
Excess (Deficiency) of Revenues Over Expenditures	(339,611)	403,389	1,609,572	389,363	331,838
Other Financing Sources (Uses)					
Operating Transfers - In	141,372	30,873	547,332	340,872	636,820
Operating Transfers - Out	(538,694)	(750,000)	(1,148,990)	(698,867)	(186,589)
Total Other Financing Sources (Uses)	(397,322)	(719,127)	(601,658)	(357,995)	450,231
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(736,933)	(315,738)	1,007,914	31,368	782,069
Fund Balance - Beginning	2,659,456	2,975,194	1,967,280	1,935,912	1,153,843
Prior Period Adjustments			0	0	0
Fund Balance - Ending	\$1,922,523	\$2,659,456	\$2,975,194	\$1,967,280	\$1,935,912

(1) Excerpts from audited financial statements of the Town prepared by Powers and Sullivan, Certified Public Accountants.

## **APPENDIX B**

There follows in this Appendix a copy of the audit report of Powers and Sullivan, Certified Public Accountants of Wakefield, Massachusetts for fiscal year 2008.